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Ms. Marlene H. Dortch, Secretary  
Federal Communications Commission  
445 12<sup>th</sup> Street, SW, TW-A325  
Washington, D.C. 20554

**Notice of Ex Parte**

**RE: High Cost Universal Service Support, WC Docket No. 05-337  
Federal State Joint Board on Universal Service, CC Docket No. 96-45  
Lifeline and Link Up, WC Docket No. 03-109  
Universal Service Contribution Methodology, WC Docket No. 06-122  
Numbering Resource Optimization, CC Docket No. 99-200  
Implementation of the Local Competition Provisions, CC Docket No. 96-98  
Developing a Unified Intercarrier Compensation Regime, CC Docket No. 01-92  
Intercarrier Compensation for ISP-Bound Traffic, CC Docket No. 99-68  
IP-Enabled Services, WC Docket No. 04-36**

Dear Ms. Dortch:

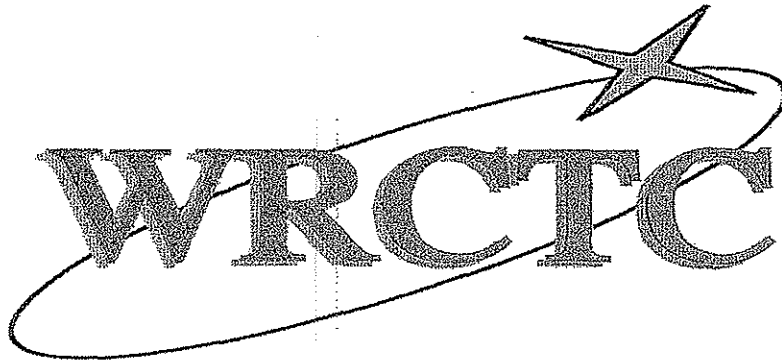
On Friday, December 5, 2008, the South Dakota Telecommunications Association met with Nicholas G. Alexander of Commissioner Robert M. McDowell's office concerning the comprehensive reform of universal service and intercarrier compensation. The following individuals participated in the meeting: Richard Coit of SDTA and Jerry Reisenauer of the West

River Cooperative Telephone Company (WRCTC). Information was provided concerning the steps WRCTC is taking to improve service through the use of USF and how a reduction in those revenues and a reduction in access charges would create a detrimental impact both on rural providers and their customers. Attached is a copy of the presentation made during the meeting.

Pursuant to Section 1.1206 of the Commission's rules, this letter is being filed via ECFS with the Commission's Secretary for inclusion in the above referenced-dockets. Please do not hesitate to contact the undersigned if you have any questions.

Sincerely,

/s/ Mary J. Sisak  
Mary J. Sisak



## ICC and USF Reform

West River Cooperative Telephone Company

Jerry Reisenauer, General Manager

(605) 244-5216

[jreisenauer@sdplains.com](mailto:jreisenauer@sdplains.com)

# Company Statistics

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- ▶ 55 year-old company headquartered in Bison, South Dakota
- ▶ Serves 8 exchanges in Northwestern South Dakota
  - ▶ Service area spans approximately 6,300 square miles
    - ▶ Approximately 0.58 access lines per square mile
  - ▶ Includes 5 rural exchanges purchased from US West/Qwest
- ▶ Currently serves approximately 3,600 access lines
  - ▶ Estimated median household income in 2007 – range of \$25,400 to \$42,492 for all exchanges\*
    - ▶ 15% to 49% less than national average\*\*

\*Source: [www.city-data.com](http://www.city-data.com)

\*\*Source: US Census Bureau

**Relative Size & Density Comparison**

- Washington D.C. Area** - 1,550 Sq. Miles  
Tot. Pop. 1980 = 1,034,432  
Pop. Density = 15,837/Sq. Mi.
- Rhode Island Area** - 1,545 Sq. Miles  
Tot. Pop. 1980 = 1,034,432  
Pop. Density = 15,837/Sq. Mi.
- Delaware Area** - 1,551 Sq. Miles  
Tot. Pop. 1980 = 1,034,432  
Pop. Density = 15,837/Sq. Mi.

**West River Cooperative:**  
Square Miles Served - 6,000  
Access Lines - 4,027  
Lines per square mile - 0.53  
Route Miles From Route to LATV/Tandem - 806

**Scale:** 100 Miles

**Source:** Industry Analyst, Technology Division, Wireless Cooperative Service, Trends in Telephony Service (February 1997)

**Notes:** 1. Source: US Census Bureau, Census of Population and Housing, 1980. 2. Source: US Census Bureau, Census of Population and Housing, 1980. 3. Source: US Census Bureau, Census of Population and Housing, 1980.



**Vantage Point**

# Recent Network Upgrades

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- ▶ 12/31/04 Total Plant in Service - \$25,707,000
- ▶ 12/31/08 Total Plant in Service Projection - approximately \$49,000,000
- ▶ Some recent upgrades include:
  - ▶ 2006-2007
    - Significant local loop upgrades (FTTH) in 4 exchanges - \$4.2M
      - Over 410 miles of outside plant reaching 477 customers
    - New soft switch installed in Bison exchange
    - New broadband transport electronics installed in all 8 exchanges - \$840k
  - ▶ 2008
    - Significant local loop upgrades (FTTH) in 4 exchanges - \$5.6M
      - Over 460 miles of outside plant reaching 1,480 customers

# WRCTC Investment Summary

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What We Are Doing For Our Customers:

	2006	2007	2008 (Proj'd)
CapEx	\$5.2M	\$5.8M	\$8.9M
Per AL	\$1,389	\$1,597	\$2,442
USF*	\$2.5M	\$2.8M	\$3.6M
Per AL	\$667	\$783	\$1,002

Depreciation = Additional \$500-\$800/AL

# Planned Upgrades - Pending

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## ▶ 2009 Plans

- ▶ Continue to aggressively replace aging OSP with fiber
- ▶ Replace 2 switches
- ▶ Additional transport and building facility upgrades
- ▶ Capital expenditures are projected to be approximately \$9 million

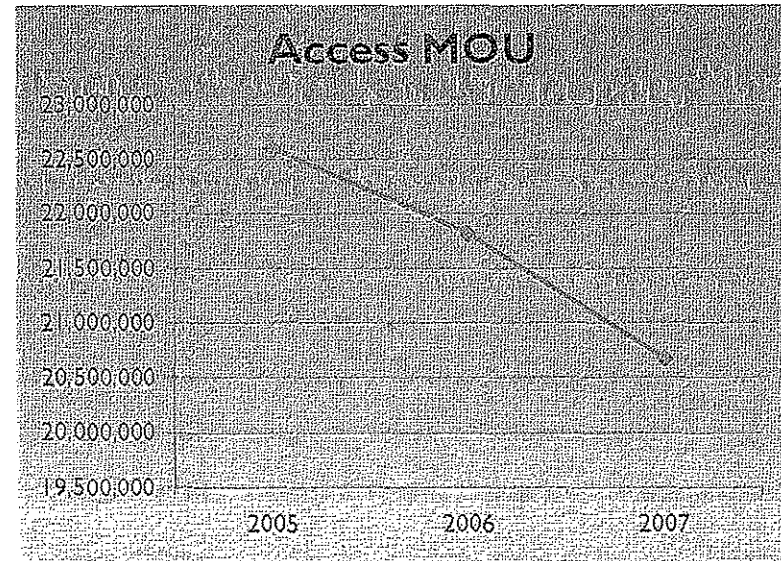
## ▶ Beyond 2009

- ▶ Continue to replace aging facilities to meet user demands
- ▶ Facility Upgrades often cost \$5,000 or more for each rural customer



# Access Revenues are Critical to Serve Customers

- ▶ Reduction in access rates would be detrimental
  - ▶ Shifts unreasonable burden to customer
- ▶ Exempting certain carriers (VoIP) from access creates inequities among carriers
  - ▶ Most carriers would use VoIP to avoid access
  - ▶ Would exacerbate access loss

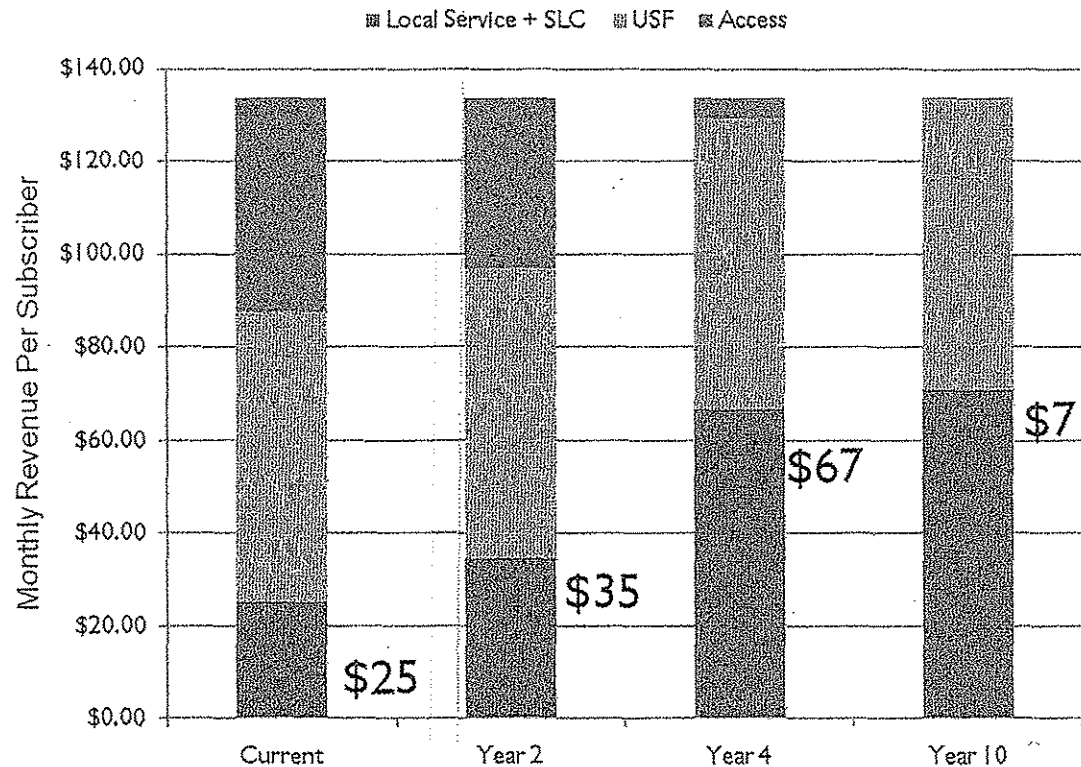


2007	Intrastate*	Interstate
Rate	\$0.125/min.	\$0.079/min.
Billed	\$1,003,404	\$998,548
Per AL	\$276	\$274

\*Intrastate rate currently recovers only 79% of intrastate costs.



# Unreasonable Burden Would Shift to Customers



Local Service Rates would need to increase by over 180%

## Assumptions:

### Year 2:

Intrastate Rate Reduced to Interstate Rate

### Year 4:

Interstate and Intrastate Rates Reduced to Assumed Recip. Comp. Rate of \$0.01/min.

### Year 10:

Interstate and Intrastate Rates Reduced to Rate of \$0.0007/min.

Loss of access lines and access minutes could add additional costs to local service rate, which is not reflected in the above graph.

## Summary

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- ▶ Access (or similar) required to continue to adequately serve customers
- ▶ Some access avoidance problems could be resolved by confirming VoIP services are subject to intercarrier compensation like other voice telephone services
- ▶ WRCTC is upgrading network to provide voice and advanced services using most efficient and cost effective technologies known
- ▶ Capping USF will prohibit network improvements
  - ▶ Could impact WRCTC's ability to repay existing loans